



## CONNECTICUT LODGING ASSOCIATION

Good afternoon Senator Coleman and Representative Sharkey and members of the Planning and Development committee. The Connecticut Lodging Association is submitting testimony in opposition to raised SB 89 An Act Concerning A local option for a Hotel Tax, and House Bills 5187 An Act Concerning An Increase in the Sales and Use Tax on Hotels and Lodging Houses, HB 5189 An Act Concerning A local Option to Impose a Lodging Tax and HB 5524 An Act Authorizing Municipalities To Impose A Tax On Hotels And Motels.

It is clear that the economy is in the midst of a severe economic downturn. Hotels are particularly vulnerable in an economy in which business travel and discretionary spending is impacted. Connecticut Hotels are already reeling from the effects of soaring costs: dramatically increased energy costs, and increased labor costs for our valuable employees. In our business these higher costs mean fewer jobs, reduced work hours and higher prices. The unfortunate story of today's hotels is that long term employees are being let go or moved to part time positions. Hotel operators are struggling to hang on to their valuable employees.

According to a recent study by the American Hotel and Lodging Association the imposition of a tax of 1% would mean a reduction in hotel revenue of 2%. That means the loss of jobs and the loss of occupancy tax revenue. The actual result of a tax increase is therefore contrary to the intent of the legislation, which is presumably to help the cities and towns of Connecticut. In addition cities and towns would be adversely effected by the loss of value in reduced or lost property tax revenues as a result of reduced lodging property values and revenues.

If the risk of the fragile hotel economy is compounded by the enactment of a tax increase small and large lodging properties could be devastated. It is the wrong time to increase the tax on hotels.

The idea of creating a local option for taxation would set one community against another. A hotel on the border of a taxing town may be advantaged or disadvantaged by virtue of a decision of the town council. It would make hotels disinclined to locate or continue operations in a disadvantaged situation. It would potentially have long term consequences for the communities most at need.

In times of economic uncertainty, policy makers work to enhance job creation and improve the business climate. If Connecticut's focus were on the growth of tourism and the film industry this would be a reverse of course. Meeting planners and movie producers look at one thing when making a decision and that is their bottom line. A tax diminishes the value of a credit.

Don't increase the tax on an industry that bears its full share of tax burden. It is an industry in the balance, which has recently reported a decrease in the occupancy rate of 4.7% with current anecdotal reports showing as much as a forty percent decline in occupancy. We cannot bear one more straw. Please do not impose an increase in taxes.